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Promoting full employment and decent work for all

Report of the Secretary-General

Summary

The present report is prepared pursuant to the Economic and Social Council resolution 2008/18, in which the Council decided to keep full and productive employment and decent work for all under review and requested the Secretary-General to submit a report on the implementation of the resolution to the Commission for Social Development at its forty-seventh session. Recognizing the critical role of rural employment in reducing poverty as well as in achieving the Millennium Development Goals, the present report focuses on trends and key challenges in increasing employment and decent work in rural areas. It also highlights the potential implications of current global crises on employment and decent work. Hence, it examines the issue of social protection as an important instrument for reducing vulnerability, especially in the light of new challenges. The report concludes with a set of policy responses for promoting employment and decent work in rural areas.

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I. Introduction

1. The promotion of full employment and decent work for all, as one of the core issues of the World Summit for Social Development and the twenty-fourth special session of the General Assembly, has been the priority theme for the 2007-2008 review and policy cycle of the Commission for Social Development, discussed at its forty-fifth and forty-sixth sessions. The outcome of the discussions held at those two sessions was Economic and Social Council resolution 2008/18, which reaffirmed the central importance of full and productive employment and decent work for poverty reduction and social integration. In that resolution, the Council requested the Secretary-General to submit a report on the implementation of the resolution both to the Commission at its current session and to the Assembly at its sixty-fourth session as part of the report on the outcome of the implementation of the Social Summit and of the twenty-fourth special session of the Assembly. The significance of the resolution is that employment is now more firmly embedded in the work of the United Nations.

2. Given the short time between the adoption of the resolution and the preparation of the present report, a thematic approach was chosen to address two issues important for the implementation of the Social Summit, especially in the light of the current global crises: rural employment and social protection. Thus, the aim of the report is to examine the challenges and practical measures with respect to promoting productive rural employment and providing social protection. Reports of the Secretary-General on employment and decent work for all were submitted to the Commission for Social Development in 2007 (E/CN.5/2007/2) and 2008 (E/CN.5/2008/4), and to the Economic and Social Council in 2006 (E/2006/55); and a summary of the *Report on the World Social Situation 2007: The Employment Imperative* (A/62/168) was submitted to the General Assembly in 2007.

3. The topic of rural employment has been neglected in the development discourse over the past few decades and therefore the renewed attention to agricultural development and rural employment, against the backdrop of current global crises, especially the food crisis, is pivotal. It is also fundamental for making progress towards the Millennium Development Goals, notably the goal of reducing poverty and hunger, because the majority of the working poor in developing countries live and work in rural areas.

4. It is clear that agricultural development and rural employment are of primary importance to the eradication of poverty, hunger and food insecurity. An estimated 75 per cent of the world's poor live in rural areas of developing countries and are dependent on agriculture for their livelihoods. Agriculture provides jobs for about 1.3 billon smallholders and landless workers and is the largest and most important sector for female and youth employment.

5. However, most of these jobs are informal, poorly paid and seasonal. A large number of them also involve either self-employment, petty business or unpaid family workers. As a result, a significant number of rural people are among the working poor.

6. The United Nations system has responded to the increasing importance placed on rural development. Promotion of rural employment for poverty reduction was

discussed at the International Labour Conference in late May and early June 2008.[1] It came out with a framework for action (ILC97-CPER-Conclusions-En.doc/v3), which laid out an integrated strategy to promote productive and decent employment in rural areas. The decent work agenda, which incorporates employment creation, rights at work, social protection and social dialogue, provides a framework for addressing the multiple challenges of promoting rural employment for poverty reduction.

7. Furthermore, it should be recalled that the Programme of Action of the World Summit for Social Development[2] highlighted the need to expand and diversify sustained economic activity and productive employment in the rural sector by increasing productivity, encouraging investment in infrastructure, promoting mutually supportive improvements in rural farm and non-farm production and promoting social security schemes. Emphasis was given to investing in human resources development, encouraging self-employment, entrepreneurship, small and medium-sized enterprises and assisting informal sectors and local enterprises to become more productive through access to credit, information, education and training. Those goals and policy measures have become important priorities of the United Nations development agenda.

8. Social protection, as one of the four pillars of the decent work agenda, is closely linked to full and productive employment. Social protection arises when decent work for all cannot be provided for various reasons ranging from economic crisis to ill health and other physical infirmity. However, it has wider implications. Firstly, social protection offers some income security to counter the impact of macroeconomic fluctuations. In that regard, it helps maintain aggregate demand and encourages growth by expanding domestic markets beneficial for employment generation. Secondly, social protection helps minimize vulnerability caused by structural and labour-market adjustments and contributes to the lessening of the social cost of structural change. Thirdly, social protection contributes to social inclusion by helping to bring the excluded and the poor into the mainstream of society. Lastly, social protection provision is simply a matter of survival for the poor, and it contributes to the reduction of inequality.

9. In that context, the present report focuses on the challenges, trends and approaches to increasing employment in the rural sector and considers the potential impact of the recent global financial, food and energy crises on employment and decent work for all. The report addresses social protection as an essential mechanism for reducing poverty and insecurity and promoting social integration and examines some key issues associated with extending social protection, taking into account the current challenges. Lastly, it presents some recommendations for promoting employment and decent work in rural areas.

II. Promoting rural employment

10. There is an urgent need to address the quality and quantity of employment opportunities in developing countries' rural areas in order to address poverty. Rural

[1] *Report IV: Promotion of rural employment for poverty reduction*, International Labour Conference, ninety-seventh session, International Labour Office, Geneva, 2008.

[2] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I.

employment and agriculture in particular have enormous potential for poverty eradication, as three quarters of the world's poor live in rural areas, with most earning their living from agriculture.[3] Large shares of rural populations tend to be associated with higher poverty rates. High levels of poverty persist, especially among landless agricultural wage labourers who have been uprooted from subsistence-oriented smallholdings by the introduction of cash and export crop production, and whose global share in the agricultural workforce is increasing.[4]

11. Important challenges to decent work in rural areas include low pay, informality, poor working conditions, inadequate social protection and lack of representation. Particular challenges include the prevalence of child labour and unequal treatment of women, youth and other vulnerable groups.

12. Women, youth and other vulnerable groups face particular challenges to obtaining decent work in rural areas. Rural youth are often disadvantaged relative to their urban counterparts in terms of educational opportunities, and that translates into fewer employment options. The lack of decent work in rural areas also leads to the migration to urban areas of significant numbers of youth seeking improved prospects for employment.[5] Women and children are also more likely to be contributing (unpaid) family workers, which is a highly precarious employment situation. Worldwide, women make up 41.8 per cent of the rural workforce, and they are twice as likely as men to be unpaid family workers.[1]

13. Declining investment in agriculture is one key challenge to promoting rural employment. Despite the historical importance of the rural sector as an engine of development, public spending in agriculture has plummeted across developing countries in recent years.[6] In Africa, public spending in agriculture fell from 6.4 per cent of total public spending in 1980 to 5 per cent in 2004. In Asia it fell from 14.8 to 7.4 per cent, and Latin America saw a decline of 66 per cent, from 8 to 2.7 per cent of total public spending in agriculture.[7]

14. These declines are largely attributable to structural adjustment policies implemented since the 1980s. There is a growing recognition that such policies, while initially intended to help rid developing countries of excessive debt and encourage free trade, are working against internationally agreed development goals. Given the considerable evidence of significant positive returns from Government investment in agriculture,[6] it is not surprising that Governments and donors are turning their attention to the agricultural sector after many years of neglect.

15. Increasing agricultural productivity through investment in infrastructure, research and development, agricultural extension programmes and increasing the accessibility of important farm inputs such as seeds and fertilizers are essential for improving the quality of all forms of rural employment, including off-farm

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[3] Ibid., p. 28.

[4] *Wage workers in agriculture: Conditions of employment and work* (Geneva, International Labour Office, 2006).

[5] United Nations Department of Economic and Social Affairs, *World Youth Report 2007: Young People's Transition to Adulthood: Progress and Challenges* (United Nations publication, Sales No. E.07.IV.1).

[6] Stephen Akroyd and Lawrence Smith, *Review of Public Spending to Agriculture: a joint DFID/World Bank Study* (Washington D.C., World Bank, 2007).

[7] *World of Work Report 2008, Income Inequalities in the Age of Financial Globalization* (Geneva, International Labour Organization, International Institute for Labour Studies, 2008).

employment. Employment-intensive infrastructure investment should also aim to increase the resilience of vulnerable communities to the likelihood of increased extreme weather events linked to global warming, through, for example, water management, flood defences and reforestation (or the prevention of deforestation).

16. Investing in rural people is also important. Human capital must be built inclusively by improving access to adequate health care and education for all rural people, including women, children and young people, older persons, persons with disabilities and other social groups, such as indigenous peoples and migrant workers, who suffer social exclusion. They need to be brought into the policy discussion and their needs addressed as they are integrated into the new rural development framework.

17. It is essential to create an inclusive, favourable economic and legal environment, including access to financing and macroeconomic policies that ensure stable economic conditions to encourage investment and are not biased against rural areas.

18. Official development assistance is important for developing countries to enhance public investments in human capital development in rural areas, as well as in rural infrastructure and agricultural research.

A. Current trends in rural employment and decent work

19. Agricultural employment occupies the greatest portion of the rural workforce. Over 1 billion people are employed in the agricultural sector worldwide. The agricultural sector is still the main employer in developing countries.[8] That is especially the case in sub-Saharan Africa, where, on average, more than 6 out of 10 people work in the agricultural sector. The share is also high in Asia, where around 5 out of 10 people work in agriculture. Agriculture accounts for 63 per cent of rural household income in Africa, 62 per cent in Asia, 50 per cent in Europe and 56 per cent in Latin America.[1]

20. However, the share of agriculture in total employment is declining. In 1991, 45.2 per cent of total employment was in agriculture. By 2007, the share had fallen to 34.9 per cent. That trend represents a shift towards services and industry, as well as growing urbanization and demographic changes in the rural workforce.[1]

21. Part of the shift is also due to a move towards non-farm activities in rural areas. In many countries, non-farm wage employment is growing at a faster rate than agricultural wage employment. For example, in Chile, non-farm employment rose from 25 per cent of total rural employment in 1960 to 49 per cent in 2002, and in Brazil from 14 to 31 per cent. In Bangladesh, non-farm rural employment increased at the rate of 0.7 per cent annually during the 1990s, while agricultural employment increased at an annual rate of 0.1 per cent.[8]

22. The share of non-farm workers in the rural labour force differs widely across developing regions. In Africa, it accounts for only about 10-20 per cent and takes the form of additional, mostly female employment during slow agricultural seasons.

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[8] *World Development Report 2008: Agriculture for Development* (Washington, D.C., World Bank, 2008).

There, subsistence-oriented agricultural employment is unable to generate the agricultural income necessary for rural non-farm diversification.

23. The situation is different in the case of market-oriented agriculture, which registers huge increases in rural non-farm activities. In Latin America, with its mainly export-oriented agriculture, the share of the non-farm labour force in the total rural labour force increased from 23.9 per cent in the 1970s to over 35 per cent in the 1990s. Even higher shares are typical for the domestic market-oriented agricultural economies in Asia, which have reached 30 to 40 per cent, with peaks of close to 50 per cent in East and South-East Asia. In China and India, which have more than half of the world's agricultural labour force, the share of non-farm employment is close to 25 per cent.[4]

24. Wages are often higher in the non-farm sector: For example, in Mexico, the average wage outside of agriculture is 56 per cent higher than in agriculture.[4] In most countries, non-farm activities account for 30 to 50 per cent of income in rural areas.

25. Therefore, non-farm employment, in combination with improved educational opportunities in rural areas, can be a gateway out of rural poverty. However, the lack of educated and skilled workers in rural areas is a limiting factor for the off-farm economy. According to a World Bank study,[4] most of the wage differential between on- and off-farm employment can be attributed to the fact that non-farm employment typically requires a higher skill level than agricultural work. Also, women are far less likely than men to be in non-farm wage employment in all regions. In sub-Saharan Africa, 2.4 per cent of women are in non-farm wage employment, as opposed to 8.6 per cent of men.[4]

26. There are other challenges to the expansion of non-farm wage employment. Most of the non-farm employment is in small businesses. Major constraints on the size of rural non-farm enterprises include the lack of access to credit and lack of infrastructure, including roads and reliable electricity. Weak governance and legal institutions also prevent enterprises from growing and employing more people. Active policy measures such as skill training, development of inclusive financial institutions, investment in rural infrastructure and institutional development are required to overcome such obstacles in order to promote rural employment by fostering the growth of non-farm small enterprises.

1. Rural employment and land distribution

27. In the agricultural sector, labour absorption is much lower on large farms than on smaller farms. Landownership patterns in countries with export-oriented agriculture favour concentration in large holdings and marginalization of smallholdings. That negatively affects opportunities for employment creation, and, as a result, significantly adds to the supply of labour entering the rural labour market.

28. Land distribution does not follow the rule of supply and demand. Land is limited, and its distribution follows political decisions. Agriculture is therefore not a sector in which market rules prevail without conditions. A combined strategy of subsistence and domestic market orientation appears to be more appropriate for mitigating rural/urban development disparities than either a subsistence or an export-oriented strategy alone.

Rural unemployment

29. The published data seriously underestimate the extent of unemployment in rural areas. In most developing countries, official rural unemployment figures are low and do not represent actual levels of high rural poverty.

30. Unemployment in rural areas takes the form of serious underemployment of either wage labourers or self-employed farmers. While full-time wage employment is set at 260 working days per year, agricultural wage labourers are estimated to work, on global average, only 170 days per year.[4]

31. Additionally, a large number of family labourers are disguised unemployed, meaning that they are in fact not needed, but are working to keep occupied. That is, their marginal product is zero and their removal from the family farm will not reduce output.

32. Underemployment and disguised unemployment coupled with low productivity often result in large-scale rural poverty. Thus, rural poverty can be considered the most effective indicator of actual rural unemployment.

Decent work deficit

33. There are several challenges to improving decent employment in the rural sector. Many of the challenges are related to factors fundamental to the sector, such as the low population density of rural areas and the distance to urban centres. Work in the agricultural sector is often informal. Informal workers are particularly vulnerable. They often lack contractual arrangements, which can lead to a lack of job security.

34. In addition, about half of the employment in developing countries is either own-account or contributing family work.[1] Such workers are often widespread in the rural sector. According to the International Labour Organization (ILO),[1] research on the microlevel has shown that unpaid family workers, who are usually women and children, are typically found in the agricultural sector, especially in developing countries.

35. Thus, many rural workers are likely to be outside the social protection and social safety nets that govern wage and salaried workers, and are therefore not likely to have social security, health or unemployment coverage.

36. Additionally, agricultural work tends to be insecure due to the seasonal nature of the work and the sensitivity to global markets in export-oriented cash crop production. It is also sensitive to climate concerns such as drought and flooding, which are exacerbated by climate change.

37. Work in agriculture can be more dangerous than work in other sectors. According to ILO, in several countries, the fatal accident rate in agriculture is double the average for all other industries (see: http://www.ilo.org/public/english/protection/safework/agriculture/brochure/english/agricult_e.pdf ILO Safety and Health in Agriculture). Workers are exposed to livestock-transmitted diseases and dangerous machinery. They often have little training or protective gear and clothing, increasing the risk of injury.

38. There is also a lack of labour regulation in rural areas. Where labour regulations do exist, enforcement is difficult, as much of rural work is casual or temporary in nature.

B. Improving rural infrastructure and resource management for employment creation

39. Investment in rural infrastructure is crucial for employment and growth. Such investment not only generates employment directly, it also bridges agricultural and non-agricultural sectors and the urban/rural divide. Transportation and communication technologies are an important link between rural producers and markets. Irrigation, electricity and transportation are lacking in many rural areas in developing countries. Opportunities exist to design and implement such infrastructure investments in order to maximize job creation and strengthen the resilience of communities to extreme weather events.

40. Natural resources are particularly important for rural populations whose livelihoods are tied to the condition of land and access to resources such as water, forests and aquaculture. Policies geared towards sustainable resource management are important for sustaining rural employment and well-being (E/CN.17/2008/4).

41. Land management includes protecting valuable cropland from degradation through erosion, salinization and desertification. It also involves making decisions regarding conversion of farmland to industrial or urban use. Competition for water resources demands careful water management to ensure efficient use of and access to water for agriculture and other rural sector uses. A large number of rural households also rely on forests and aquaculture for a portion of their household income, making sustainable management of those resources an essential part of employment policy.[8]

C. Improving employment through investing in rural people

42. Investment in rural people is important for increasing agricultural productivity and preparing rural people to take full advantage of employment opportunities. Lack of human capital is a particular problem in rural areas. Building human capital in rural areas through improving access to health care, education and training is of paramount importance to prepare rural people for productive employment. Implementing and expanding social safety nets, integrating traditionally marginalized groups such as women, youth, persons with disabilities, older persons and indigenous people into markets and providing them with educational and employment opportunities are essential. In addition, the quality of rural infrastructure, including health and education facilities, should be improved; improving access alone is not enough to build human capital if the quality of the facilities is poor, as is the case in many rural areas.

43. Rural populations tend to receive significantly less education than do urban populations. Often, rural children are kept out of school to help with the family farm or work for wages. Rural areas also face limited availability of quality educational facilities, and higher levels of poverty pull children out of school at earlier ages.

44. In addition to the urban/rural differential, there is also a gender gap in education. In sub-Saharan Africa there is about a one-year gap in education between men and women and a three-year gap in education between rural and urban residents, whether male or female.[8] In South Asia, the urban/rural gap in education is greater for women than for men. Rural women lag behind men by two years on average, but urban women lag behind their male counterparts by only one year. Even in regions where there is no educational gap between men and women, or where the gap favours women, as it does in Latin America and the Caribbean, Europe and Central Asia, the urban/rural gap in education persists for both women and men.

45. In many countries, low population density and remoteness of facilities also play a role: students must often travel long distances to attend school, which is particularly difficult when, as is the case in many rural areas in developing countries, there is no public transportation and roads are non-existent or of poor quality.

46. The presence of some basic social preconditions such as basic social protection is likely to improve the quality and quantity of human resources in rural areas. Quality education and training relevant to local markets and conditions should be made equally available to all. Incentives, such as cash transfers to encourage children's school attendance, may be necessary to counteract disincentives that are part of the rural context in many countries (e.g., child labour). Extension services that educate farmers about current research and provide training in good agricultural practices, including the use of new technologies that contribute to productivity increases and environmental sustainability, should be supported.[1]

47. Membership in cooperative enterprises is an effective means of achieving economic empowerment and engaging in entrepreneurial activities and wage employment, especially for women. In rural Andhra Pradesh in India, for example, women's cooperatives that emphasize thrift even more than credit have been effective in enabling women to take part in productive employment and engaging in microenterprises, such as retail shops. In addition, all-women dairy cooperatives, by providing post-milking facilities and marketing support, as well as training, cattle insurance and loans to purchase cattle, have enabled women to be actively engaged in the dairy industry. Also, membership in health, childcare and consumer cooperatives have enabled women to significantly reduce their household burden, giving them the flexibility to work (see A/62/154, p. 11).

D. Creating a favourable economic and policy environment

48. The generation of more and better jobs in rural areas requires an enabling legal and regulatory framework geared towards the promotion of growth and investment that is sustainable. Macroeconomic and financial policies should ensure stable and predictable economic conditions and should avoid biases against rural areas. Women play an important and often undervalued role in agriculture in many countries and therefore, in order to be successful, agricultural policies and programmes must address gender-specific concerns.

49. Gainful employment cannot rise without rapid output growth. One potential way to boost production might be to lower export barriers so that local producers can take advantage of higher prices abroad. Lifting barriers to domestic and foreign markets is likely to foster trade integration, which can lead to positive employment

outcomes in terms of quality and quantity of jobs. However, trade integration can also lead to job dislocation and increased income inequality and informality. Therefore, the impact of trade policies on decent work should be assessed on a country-by-country basis by Governments in consultation with social partners.

50. Access to financial services and risk mitigation is an important foundation for increased investment and employment opportunities for rural households and businesses. Financial institutions should cater to the specific needs of the local area and local market conditions. Financial services should also be made available to more women, youth and marginalized social groups. Governments can provide a supportive regulatory and institutional infrastructure to foster the development of financial institutions in rural areas. Specialized public financial institutions are one means of making financial services available in rural areas.

51. Poor farmers have distinct needs in terms of financial services. Farmers need access to insurance to reduce risk of loss, and they need flexible loan repayment schedules taking into account the seasonal nature of agriculture (in contrast to the weekly or monthly nature of wage employment). The growing trend towards providing a wide range of financial services beyond microfinance is a promising development in that area, which has greater potential to meet the needs of poor but productive farmers than do traditional financial institutions.

52. Public and private investment in research and development activities contributes to innovation and productivity in agriculture and other rural sectors. Such investment can also stimulate productivity gains. As previously noted, investments in agricultural research and development have slowed down dramatically in the past decade, despite high social returns from investment in the same period.

53. Mechanization, application of good agricultural practices and new technologies are needed to improve sustainable productive land use and agricultural productivity. New technologies may entail job displacement, but they also create new opportunities. Therefore, strategies such as economic diversification and retraining to manage potential negative effects on employment should be considered when implementing technical improvements in rural areas.

54. Rural producers' access to local markets should be improved by creating market information services, building roads to link farms to markets, providing assistance and training to small producers to help them identify potential markets and fostering equitable contracts between producers/farmers, traders, processors and retailers. Facilitating the development of small producers' associations and cooperatives would improve access to market opportunities.

III. Enhancing social protection to promote productive employment and decent work

55. Social protection is an integral component of the decent work agenda. Consisting of a set of instruments to support people against loss of income due to sickness, unemployment, maternity, invalidity, loss of breadwinner or old age, it is an essential mechanism for reducing and preventing poverty and insecurity. It promotes social integration by bridging the gaps between vulnerable and non-vulnerable groups. Enhancing social protection in an era of increasing

globalization and economic insecurity is critical to the implementation of the Social Summit and the achievement of the Millennium Development Goals. In fact, social protection is currently at the forefront of the social development agenda.

A. Social protection as a social investment

56. Excluding 80 per cent of the world population from social protection carries a high economic and social cost. It results in the perpetuation of poverty and the continuation or even increase of inequality, and makes it more likely that conflicts will grow, in extreme cases.

57. Social protection can have positive macroeconomic effects and contributes to sustaining economic growth and raising productivity in the national economy. Financial support derived from social protection helps to stabilize income, which in turn can offset cyclic swings in consumption, thus helping to maintain levels of aggregate demand and economic growth. Pensions have been proved to reduce poverty in old age, especially for women. It has also been shown that the existence of some forms of social protection increases school enrolment, improves school attendance and performance and broadens access to health care and better nutrition. Such improvements help build up a country's human capital, leading to higher productivity and economic growth.

58. The economic and social payback of a basic social protection package, or conversely, the cost of not providing it, is large. In addition to the benefits mentioned earlier, child benefits prevent damage to health and intellectual development caused by poverty and malnutrition that result in lower productivity in adulthood; social protection also supports women's empowerment; reducing extreme poverty and inequality improves social cohesion and helps create a more stable political environment favourable to sustained economic growth.

59. In sum, social protection is a social investment that can contribute to social and economic development, in addition to being a moral and ethical imperative based on social justice, solidarity and fundamental human rights.

60. Moreover, globalization and accompanying developments in the world of work in the past two decades have posed additional challenges for social protection systems. Income insecurity has increased due to sectoral shifts of employment away from manufacturing jobs, the informalization trend, and increased flexibility in work and contractual arrangements. That makes social protection more relevant than ever.

61. The ongoing global financial crisis, together with high food and fuel costs, further underscores the importance of social protection to poverty eradication and social integration. Therefore, the need for social protection systems to support the working women and men and their families who suffer job and income losses is urgent. Experience also shows that in times of economic crisis, basic pensions and child support are effective means to prevent a rise in poverty and the resurgence of child labour.

62. India's National Rural Employment Guarantee scheme, launched in 2005, is an interesting experiment in combining job creation, social protection and infrastructure investment in rural areas. Under the initiative, the Government made a commitment to provide 100 days of employment per year to every poor rural household in 200 districts, with the intention of rolling out the scheme to the whole

country. People employed by the scheme work mostly on infrastructure projects, such as road construction and water irrigation projects. Its main objectives are to uphold the right to work, reduce poverty and limit rural-urban migration of labourers. Countries such as Bangladesh and Indonesia are piloting the scheme.

B. Main challenges

63. First, although most countries have some form of institutionalized social protection system, the coverage tends to be limited, especially in rural areas.

64. According to ILO, 80 per cent of the world's population has no social protection coverage, and in sub-Saharan Africa and South Asia, only 10 per cent have some form of rudimentary coverage.[9] Typically, the coverage extends only to workers in the urban formal sector, leaving out rural workers, self-employed workers, household workers, irregular workers and other informal workers.

65. The lack of social protection in rural areas is particularly glaring. Most developing countries afford very limited, if any, social protection to rural populations. That is partly owing to the fact that the rural economy is characterized by self-employment, high informality and high poverty levels that limit residents' payment capacity for contributory social insurance and other services. That reality also leads to low demand for services in rural areas and, therefore, low provision of those services.

66. There are also specific difficulties associated with rural areas. Remote location, low economic potential and being politically less favoured all present challenges to implementing social protection programmes in rural areas. That calls for appropriate instruments and modes of delivery. For example, in remote poor areas with weak administrative capacity, targeting and conditional cash transfer programmes may become impractical.

67. On the other hand, rural residents, especially the poorest, rely on subsistence agriculture or casual wage labour for their livelihood. They are extremely vulnerable to the risks associated with agriculture, such as unpredictable climatic shocks and seasonal patterns of food availability and job opportunities. Another source of vulnerability is the dependence on physical assets such as land and labour. Landlessness and/or any events that compromise physical capacity for labour further increase income insecurity. Those risks are rarely covered by formal social protection schemes in most developing countries.

68. Existing informal risk management networks based on custom or tradition in rural areas often rely on family ties or local power holders (either political or religious). That renders people without strong kinship or local ties, such as orphans and childless older persons, particularly vulnerable. Among the vulnerable social groups, rural women face additional hardships, since they often have to rely on male relatives for access to productive assets.

69. The urgent need to extend the coverage of social protection naturally leads to the consideration of funding for social protection, another challenge facing social protection systems today.

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[9] Wouter van Ginneken, *Extending Social Security: Policies for Developing Countries*, Extension of Social Security Paper No. 13 (Geneva, International Labour Office, 2003).

70. In general, social protection is one of the most underinvested sectors. According to ILO data, in 2003, most developing countries devoted less than 10 per cent (and in most low-income countries, less than 5 per cent) of their gross domestic product to public social protection and health expenditures, while developed countries spend a much larger share of their gross domestic product.[1] Many existing social protection systems and programmes are underfunded, which erodes the ability of such systems to protect people from falling into poverty.

71. Given the current state of funding for social protection, a question that needs to be addressed is whether social protection is affordable in developing countries. The International Labour Organization has conducted research to calculate the costs of a basic package of social protection that includes a basic old-age and invalidity pension, child benefits and essential health care in 12 developing countries in Asia and Africa. The exercise concluded that such a basic package would cost less than 5 per cent of gross domestic product in all but the poorest countries.[10] But the burden on the Government budget is greatest in the poorer countries. It is the view of ILO that basic social protection is affordable in most developing countries, while external financial support is necessary for most of the low-income countries.

72. Developing countries also face difficulties in urban areas. The main challenge here is to expand social protection to cover informal workers, who typically live under the threat of chronic poverty, hunger and poor health. The informal economy tends to be significant in most developing countries. To tackle urban poverty, it is necessary to provide basic social protection to the large numbers of people employed in the urban informal economy. In Latin America and the Caribbean region, in particular, urban poverty has increased in recent years as the urban population has grown. Extending basic social protection to urban informal workers is especially important to reducing overall poverty in the region.

73. A challenge that is particular to developing countries is the lack of institutional and administrative capacity. In that regard, the capacity of the central Government ministry tasked with the administration of social protection systems (typically the Ministry of Social Development or Social Affairs) is critical for the efficiency and effectiveness of the system. The institutional and functional linkages between the entities for social development and other sectoral ministries are also important in order to maximize the developmental potential of such systems. Capacity and linkages at the local level, especially in countries implementing targeted programmes, are equally vital, since the identification of targeted populations and administration of programmes depend on local involvement.

74. Developed countries also encounter challenges in expanding social protection. Many Governments have undertaken reforms of their social protection systems to make them more efficient and responsive to changing conditions in the economy, in particular the labour market. Sectoral shifts of employment away from manufacturing jobs combined with a growing trend towards more flexible labour relationships, including part-time work, temporary work, informal employment and short-term contracts, have imparted greater economic insecurity to most groups of workers. That makes social protection more relevant than ever. Reforming social protection systems to meet the challenges posed by an ageing population has also

[10] "Can low-income countries afford basic social security?" *Social Security Policy Briefings*, Paper 3 (Geneva, International Labour Office, 2003).

become necessary. A key objective of the reforms should be the sustainability of existing pension systems and the provision of social protection to workers whose status in the labour market does not fit the traditional mode of employment that affords protection.

75. All those challenges will need to be addressed, and can be overcome by political commitment and a pragmatic approach to implementing basic social protection.

C. Social protection floor

76. Expanding access to social protection for all citizens should be a main objective of international and national development policy. The rate of expansion will vary across countries and depend on the financial and institutional resources available. Universal coverage was achieved in most high-income economies by complementing contributory social insurance for the formal sector with subsidies for those in the informal sector. Likewise, some middle- and low-income countries are achieving universal coverage by expanding benefits and entitlements to those outside the formal sector.

77. The International Labour Organization, in collaboration with the Department of Economic and Social Affairs of the United Nations Secretariat and other stakeholders at the international and national levels, has started an initiative to promote discussion of the idea of a broad global social floor in response to the changing economic and social landscapes in the twenty-first century. Such a floor might include access to basic health care and primary education as well as social protection. Among other things, the initiative aims to extend basic social protection to all citizens in all countries to lift people living in extreme poverty above the poverty line and protect those who might fall into poverty in an economic downswing.

78. In order to implement a basic social protection package to reduce poverty, priority needs to be given to resource mobilization at the national and international levels. At the national level, affordability ultimately depends on a society's willingness to finance social policies through taxes and contributions. Financing social protection systems implies a degree of redistribution, either from taxed citizens to those outside the formal sector, or from the working-age generation to younger and older people. Political leadership and commitment to building societies that are inclusive and fair to all should be the foundation of all national efforts to mobilize domestic resources. Practical solutions and programmes based on specific country conditions should be explored. In most developing countries, especially low-income countries, basic social protection for all is most likely to consist of a network of schemes and programmes supported by public finance, as well as other sources such as cooperatives and microfinance institutions, the private sector and civil society organizations.

79. The international community also has an important role to play in support of developing countries' efforts. Given that the benefits of globalization do not reach all, a global social floor is indispensable to ensure fair globalization. In that regard, international macroeconomic policies and international trade and financial policies should be coordinated to support Governments that pursue the goal of basic social protection for all. It is also important that donors assist developing countries to build a social floor by providing necessary budgetary support to low-income developing countries. In addition to meeting the internationally agreed 0.7 per cent

official development aid target, funds could also be raised from various innovative sources of finance and earmarked for that purpose.

80. Given its critical contribution to meeting the internationally agreed development goals, including the Millennium Development Goals, towards poverty eradication and its long-term positive impact on economic growth and social development, basic social protection for all should be accorded the priority it deserves. It is a pragmatic measure that is a powerful tool for poverty eradication, and it is affordable in most countries.

81. As the world faces the strong possibility of a global recession which could threaten the modest gains achieved in poverty reduction, the need to advance basic social protection in all countries has become even more urgent. Extending basic social protection to all is therefore not only a matter of poverty eradication in the long term, but also of immediate necessity.

IV. Global crises and their potential implications for employment and decent work for all

82. The current global financial crisis, economic slowdown and higher food and fuel prices are impacting the lives of vulnerable and disadvantaged people, particularly in developing countries. By adversely impacting employment and decent work, the global crises are also undermining years of progress towards attaining the Millennium Development Goals, in particular, the targets on the reduction of poverty and hunger.

83. For many countries, especially those where progress in reducing poverty has been slow, the impact of rising food prices risks jeopardizing the gains of recent years. One recent study estimates that the global poverty rate has increased by 3-5 percentage points owing to the recent hike in food prices, and that there are about 100 million more poor people globally.[11] Those who were already poor are falling even more deeply into poverty. Most of the increase in poverty has taken place in South Asia and Africa, the regions which already have the largest numbers of people living in extreme poverty, with Africa being hit the hardest.[12]

84. The poor spend up to 80 per cent of their income on food and are therefore the most vulnerable to increases in food prices. The urban poor are the main consumers of food staples and are particularly affected. Likewise, in rural areas, a large number of small and marginal farmers live below the poverty line and engage in survival-oriented income-generation activities both on-farm and off-farm (see http://www.ifad.org/media/press/2008/25.htm). Of particular concern are landless poor people in rural areas. They are the main food buyers and are unlikely to be compensated fully by additional employment or by higher wages.[13]

85. About 88 per cent of the increase in urban poverty depth (measured by the gap between the average income/consumption of poor households and the poverty line)

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[11] *Rising Food and Fuel Prices: Addressing the Risks to Future Generations* (Washington D.C., World Bank, 2008).

[12] *World Economic Situation and Prospects* as of mid-2008 (E/2008/57).

[13] Technical information note entitled "*Rising food prices and their implications for employment, decent work and poverty reduction*" (Geneva, International Labour Organization, 2008).

in the face of rising food prices is due to poor households becoming poorer. Households newly falling into poverty due to higher food prices account for 12 per cent of the total increase in poverty. While food prices have recently fallen, all forecasts indicate that higher prices are likely to persist in the medium term. Therefore, priority needs to be given to minimizing the effects of food inflation on the poor.

86. As poor households cut back their spending on food, there are serious risks for the nutrition and health of millions of poor children. It is estimated that higher food prices will increase the number of malnourished people around the world by an additional 44 million, to a total of 967 million by the end of 2008, up from 848 million in 2003.[13] Higher levels of malnutrition will impact future growth and productivity in developing countries. Also, poor households may be forced to exhaust savings, incur debt or sell their productive assets, further deepening chronic poverty.

87. Higher food and fuel prices also create pressure for poor families to cut back on other essential expenses. For example, they may not be able to afford the costs of schooling, such as fees, transportation and uniforms, and hence will be forced to withdraw their children from school. There are emerging indications that children are missing school as families reduce their spending on education to cope with the higher food prices. Policies to minimize the potential effects of higher food and fuel prices on nutrition, health and schooling are needed.

88. High energy and food prices have an impact on agriculture and small businesses. They have made food production more costly by increasing the energy costs of farming and creating a strong incentive for farmers to switch from food production to crops for fuel production. They have also resulted in job losses and widening inequalities.

89. Small enterprises are hit the hardest by the credit freeze and will have difficulties recovering. Access to affordable credit and other financial services is essential for small businesses to prevent bankruptcy, which has serious effects on jobs and incomes.

90. A recent study demonstrates[7] that the current global crises, especially the financial crisis, have severe repercussions for workers and their families, who are now suffering from job and income losses. Several developed countries have already experienced lower economic growth, and unemployment is on the rise. Global employment growth, though still positive, is expected to slow down in 2008, as employment gains diminish in developing countries.

91. Preliminary estimates indicate that the number of unemployed could rise from 190 million in 2007 to 210 million in late 2009. The number of working poor living on less than $1 a day could rise by some 40 million and the number of those living on $2 a day by more than 100 million.[14]

92. Also, the widening income inequalities are likely to increase due to the crises. A major portion of the cost of the financial and economic crises will be borne by hundreds of millions of people who have not shared the benefits of recent growth, as higher rates of unemployment and inflation eat into their meagre income.

[14] See ILO press release, 20 October 2008.

93. Effective social protection programmes, including social safety nets, are needed to reduce the adverse impact of the global crises and help the most vulnerable maintain access to food, education, health and other essential services.

94. However, economic slowdown will reduce Government revenues that support expenditures for social services and income assistance to poor families. There is also concern that international support for developing countries might fall victim to the financial crisis, if some are tempted not to honour their international commitments when domestic economic situations worsen.

95. That latest development in the international environment further compounds the challenges social protection systems face in many developing countries.

V. Conclusion and recommendations

96. **Recognizing that the majority of poor people in developing countries live and work in rural areas, and the unacceptable extent of underemployment and disguised unemployment in rural areas, the urgent need to provide social protection and employment guarantees in the wake of the ongoing energy and food price crises and the unfolding global financial crisis, the Commission for Social Development may wish to consider the following recommendations to achieve full and decent employment for all in the rural sector.**

97. **The Commission for Social Development may wish to encourage Member States to:**

(a) **Address the quality and quantity of employment opportunities in rural areas by:**

(i) **Exploring and implementing innovative sources of finance for development of the rural sector;**

(ii) **Taking steps to reverse the historical decline in public investment in the rural and agricultural sectors;**

(iii) **Investing in rural infrastructure, such as roads, irrigation and conservation projects, with a view to promoting employment through the use of labour-intensive techniques;**

(iv) **Investing in research and extension services for improving agricultural productivity;**

(v) **Investing to improve the quality of and access to human resource development facilities such as schools and health-care centres in rural areas;**

(b) **Create an enabling environment for the private sector, especially for small farmers by:**

(i) **Improving access to credit and agricultural inputs;**

(ii) **Streamlining the legal mechanism for land title and tenure;**

(iii) **Improving information with regard to both domestic and international markets;**

(iv) Balancing international trade and domestic market development policies;

(c) Support the development of small and medium-sized enterprises in rural areas by improving their access to credit and other support facilities, especially to better link them with the formal sector;

(d) Design social protection schemes for rural areas to address the serious decent work deficits in rural areas, such as seasonality, informality, low pay and hazards. In that regard, consideration should be given to the possibility of introducing schemes such as a rural employment guarantee scheme that guarantees employment for rural people, especially youth and women, for a certain number of days per year at a reasonable wage.

98. Given the enormity of the tasks and the limited capacity of Governments, the Commission for Social Development may wish to encourage Member States to promote partnerships with the private sector, civil society organizations, philanthropic organizations and other stakeholders to increase and enhance their contribution to the creation of decent jobs and the provision of social protection in rural areas.

99. The Commission for Social Development may wish to call on the international community to provide increased and predictable financial and technical support to developing and least developed countries, including by fulfilling their commitments in that regard.

100. Finally, the Commission for Social Development may wish to invite the United Nations system to strengthen its technical support for rural and agricultural development in developing and least developed countries. The United Nations system may also wish to develop a better methodological framework for collecting data on rural unemployment which would be consistent with widespread rural poverty.